March 11, 2025

NeoGrowth Credit Private Limited: Rating confirmed as final for PTCs backed by MSME business loan receivables issued by Sagittarius Trust February 2025

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Sagittarius Trust February 2025	Series A1 PTC	49.51	[ICRA]A(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

ICRA had assigned a provisional rating to the Series A1 pass-through certificates (PTCs) issued by Sagittarius Trust February 2025 under a securitisation transaction originated by NeoGrowth Credit Private Limited {NCPL/Originator; rated [ICRA]BBB+ (Stable)}. The PTCs are backed by a pool of micro, small and medium enterprise (MSME) business loan receivables with an aggregate principal outstanding of Rs. 56.26 crore (pool receivables of Rs. 71.09 crore). NCPL is also the servicer for the transaction.

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. The residual cashflow available, after making the promised and expected payments, shall flow back to the Originator on every payout date. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 4.00% of the initial pool principal, amounting to Rs. 2.25 crore, provided by the Originator, (ii) subordination of 12.00% of the initial pool principal for SeriesA1PTC, and (iii) the excess interest spread(EIS) of 18.64% of the initial pool principal for Series A1PTC.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement– The pool is granular, consisting of 283 contracts, with top 10 contracts forming only ~8% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool– The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date.

Servicing capability of NCPL– The company has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated a considerable track record of regular collections and recovery across a wide geography and multiple economic cycles.

Credit challenges

High geographical concentration –The pool has high geographical concentration with the top 3 states, viz. Karnataka, Andhra Pradesh and Maharashtra, contributing ~68% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Risks associated with lending business – The pool is exposed to the inherent credit risk associated with the unsecured nature of the underlying asset class. Its performance would remain exposed to any macro-economic shocks/business disruptions.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 6.50%, with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Details of Key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Sagittarius Trust February 2025
Originator	NeoGrowth Credit Private Limited
Servicer	NeoGrowth Credit Private Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	DCB Bank
Collection and payout account bank	ICICI Bank

Liquidity position: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~4.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – The rating could be downgraded on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

NeoGrowth Credit Private Limited, which commenced operations in FY2013, is a non-deposit taking systemically important non-banking financial company (NBFC) providing loans to small and medium enterprises (SMEs). The company was founded by Mr. Dhruv Khaitan and Mr. Piyush Khaitan, and its investors include ON Mauritius, Aspada Investment Advisors, Khosla Impact Fund, Frontier Investments Group (Accion), Trinity Inclusion Ltd. (Leapfrog), Mr. Arun Nayyar {Managing Director (MD) & Chief Executive Officer (CEO)}, IIFL Seed Ventures Fund and FMO (the Dutch entrepreneurial development bank). Prior to setting up NeoGrowth, the promoters had founded and managed Venture Infotek, which provided end-to-end card payment processing solutions to banks that issue credit cards and those with whom merchants have point of sales terminals. The assets under management (AUM) stood at Rs. 2,893 crore as on December 31, 2024.

Key financial indicators

NCPL	FY2023	FY2024	9M FY2025
	Audited	Audited	Provisional
Total income	383	601	571
Profit after tax	17	71	17.2
Total managed assets	2,250	3,113	3,151.3
Gross NPA	4.3%	3.7%	5.8%
CRAR	32.7%	28.5%	27.2%

Source: Company, ICRA Research; All ratios as per ICRA calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2025)					Chronology of Rating History for the Past 3 Years		
		Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					March 11, 2025	March 03, 2025*	-	-	-
1	**Sagittarius Trust February 2025**	Series A1 PTC	49.51	49.51	**[ICRA]A(SO)**	**Provisional [ICRA]A(SO)**	-	-	-

**Initial rating assigned*

Complexity level of the rated instrument

Instrument	Complexity Indicator
Series A1 PTC	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Trust Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Current Rating
INE1PL115014	**Sagittarius Trust February 2025**	Series A1 PTC	February 28, 2025	11.35%	July 16, 2027	49.51	[ICRA]A(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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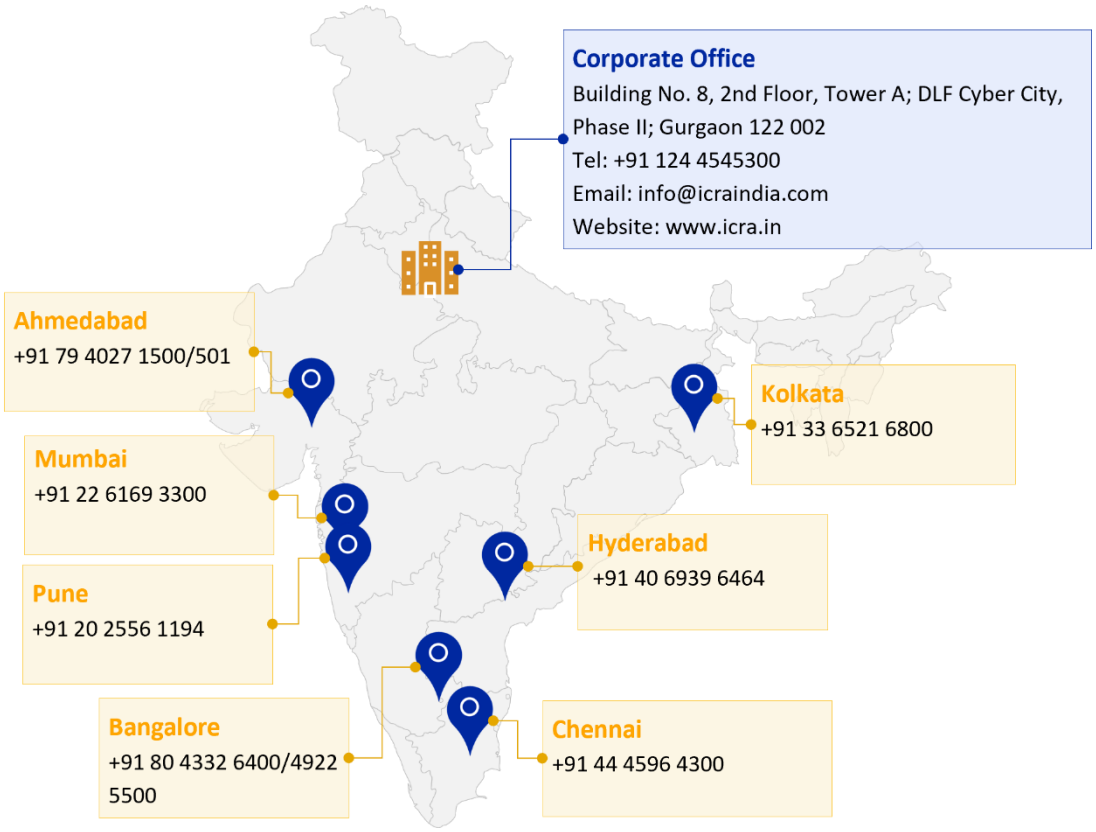

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